

MISSOURI BUDGET AND LEGISLATIVE AGENDA

Missouri is a Leader in Education

“Protecting our investment in education is the most important step we can take to provide better opportunities for our children and to provide jobs for the future.”

Governor Bob Holden

The Holden administration's top priority will always be K-12 education. Our children – and our ability to compete in the new economy of the 21st Century – depend on the state's investment in public education. In his first two years, Governor Holden accomplished the following to improve the state's investment in public education:

- Secured \$213 million in Fiscal Year 2002 to increase funding for the state's School Foundation Formula and At-Risk Program. Funding during the current fiscal year increased \$135 million, despite declining revenues and cuts in other areas of state government.
- Signed legislation to meet the increasing costs of K-12 education through the Foundation Formula by establishing a Schools for the Future Fund. The bill generated an estimated \$25 million for Missouri schools. Senate Bill 1248 was signed into law June 19, 2002.
- Proposed landmark legislation to establish a means to recognize high-performing schools and school districts, as well as placing certain requirements on schools not meeting basic academic standards. House Bill 1711 was signed into law June 19, 2002.
- Appointed the Missouri Business Education Roundtable to examine current and projected needs for teachers in public schools, the effectiveness of current policies and programs that focus on the recruitment of teachers, and the unique needs and concerns of hard-to-staff schools.
- Recommended legislation to require report cards on academic performance and school conditions at the building level. Senate Bill 575 and House Bill 865 were signed into law on June 14, 2001.
- Signed legislation to ensure that assets from criminal forfeiture cases benefit the School Building Revolving Fund. Senate Bill 5 was signed into law May 17, 2001.
- Established the Missouri Math Academy to improve mathematics instruction. The academy is expected to train 110 teachers in 2003.

Throughout the past two years, Governor Holden renewed his commitment to making K-12 education the number one priority of his administration by ensuring that withholdings did not harm public schools or Missouri students. In Fiscal Year 2003, when 17 other states cut funding for local schools, the Governor fought hard to obtain a \$135 million increase for the Foundation Formula. For Fiscal Year 2004, the Governor recommends that the Foundation Formula be protected from budget reductions being implemented on other state agencies. Maintaining funding at the same level as Fiscal Year 2003, in these difficult economic times, will help public school districts provide vital services. Governor Holden also recommends funding to continue school accountability and retain quality teachers.

FUNDING PUBLIC ELEMENTARY AND SECONDARY EDUCATION

In the Fiscal Year 2004 budget, Governor Holden's number one priority is to balance the budget without cutting funding for Missouri's 524 local public school districts. With budget reductions being taken across state government, the Governor has fought to protect core funding for K-12 education. Continued funding of the Foundation Formula will assist school districts in providing vital services and essential tools students need to succeed in school. The Foundation Formula provides funds to:

- Improve student academic achievement.
- Lower class sizes.
- Provide professional development opportunities to teachers and school administrators.
- Provide resources for school districts to improve curriculum.

The Governor recommends \$2.2 billion for the state's Foundation Formula for public education.

The Governor is adamantly opposed to removing the gaming proceeds from the Foundation Formula and putting them into a Classroom Trust Fund. If the Foundation Formula funding is cut, school districts would encounter difficulties in retaining and attracting qualified teachers, keeping class sizes low, and providing remediation and enrichment programs that help students succeed. Such a measure would take money away from rural, small, and poorer districts and give it primarily to suburban, more affluent school districts. It will also invite expensive litigation on both the equity and adequacy of state funding. Every school district in Missouri deserves to have the same, equitable distribution of funding.

The Governor's priority of protecting current levels of funding for K-12 schools has not been easy. In Fiscal Year 2004, the state faces a revenue shortfall of \$1 billion. Cuts to other state agency programs will be necessary. Despite this, the Governor continues his commitment to take every means possible to protect public school funding. Last year, the General Assembly funded increases to the Foundation Formula with one-time monies. In order to maintain the Fiscal Year 2003 level of support on an ongoing basis, the Governor proposes additional resources generated by gaming proceeds.

Character Education

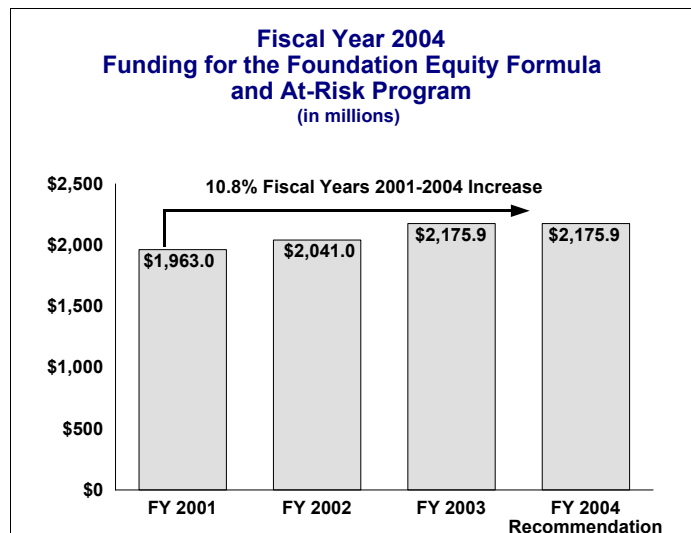
Effective character education is an essential part of educating Missouri children and is key to ensuring productive learning environments. Research indicates character education:

- Reduces the number of classroom incidents requiring disciplinary referrals.
- Increases students standardized test scores.
- Decreases physical aggression and promotes positive social interactions with peers.

Character education helps students understand their future responsibility as citizens. In 2002, the General Assembly cut funding to expand character education programs to all school districts. In Fiscal Year 2004, the Governor recommends \$600,000 federal funds, secured by the state Department of Elementary and Secondary Education, to expand character education.

**STATE AID TO LOCAL SCHOOL DISTRICTS
(Not Including Desegregation)**

	FY 2003	FY 2004
School Foundation Program		
Equity Formula and At-Risk	\$2,175,891,721	\$2,175,891,721
Transportation	162,067,713	162,067,713
Gifted	24,870,104	24,870,104
Special Education	149,617,982	149,617,982
Remedial Reading	11,096,925	11,096,925
Early Childhood Special Education	69,621,995	81,274,784
Career Ladder	38,454,774	38,069,056
Vocational Education	52,880,428	52,880,428
Parents As Teachers	<u>30,304,651</u>	<u>30,304,651</u>
Subtotal Foundation Program	\$2,714,806,293	\$2,726,073,364
Other State Aid		
A+ Schools Program	\$ 18,525,000	\$ 18,525,000
Technology Grants	13,969,696	8,833,381
Adult Literacy	500,000	500,000
Safe Schools Grants	7,675,000	7,122,368
Proposition C Sales Tax	691,456,241	693,947,458
Fair Share Cigarette Tax	22,929,326	23,225,250
Free Textbook Fund	74,225,850	89,650,000
School Food Program	3,460,219	3,460,219
Early Childhood Program	15,136,800	16,545,112
DSS/DMH School Placements	<u>7,293,331</u>	<u>10,099,537</u>
Subtotal Other State Aid	\$ 855,171,463	\$ 871,908,325
Total State Aid to Local Schools	\$3,569,977,756	\$3,597,981,689



2003 Legislative Initiative Maintaining Funding for the Foundation Formula

In order to continue support for K-12 education at the current Fiscal Year 2003 level, additional revenues are necessary. The Governor recommends continuing the state's successful use of gaming proceeds and other measures to raise \$193 million for public education by:

- Increasing the admission fees to gaming boats by \$2. The state and the home dock city or county share proceeds from the current \$2 admission fee.
- Removing the current provision that limits to \$500 the amount riverboat gaming patrons may lose during each two-hour cruise. Missouri is the only state that has a loss limit.
- Increasing the adjusted gross receipts tax on riverboat gaming from 20 to 22 percent. This tax is paid by riverboat operators on the amount lost by patrons.

Riverboat Gaming Proceeds for Education

All riverboat gaming proceeds in excess of the amount transferred to the School District Bond Fund must be transferred by law to the State School Moneys Fund for the Foundation Formula. For Fiscal Year 2004, the Governor recommends transferring \$450,000 in gaming proceeds to the School District Bond Fund for use by the Missouri Health and Education Facilities Authority (MOHEFA) to pay costs associated with school bond issues and credit enhancement. The Governor recommends that the remaining \$318 million be transferred to the State School Moneys Fund. In addition, the Governor recommends \$106.3 million from increases in riverboat admission fees be transferred to the State School Moneys Fund for the Foundation Formula.

Lottery Proceeds for Education

Article III, Section 39(d) of the Missouri Constitution, approved by voters in August 1992, requires all net proceeds from the State Lottery be appropriated solely for elementary, secondary, and higher education. During Fiscal Year 2004, \$191.1 million will be available from lottery revenues for education. The Governor recommends \$116.8 million to support programs in the Department of Elementary and Secondary Education and \$74.3 million to support programs in the Department of Higher Education. The Governor recommends allocating estimated lottery revenues as shown on the following page.

LOTTERY PROCEEDS FOR EDUCATION

During Fiscal Year 2004, \$191.1 million will be available from lottery revenues for education. Of this amount, \$186.9 million is from anticipated Fiscal Year 2004 revenues. The remaining \$4.2 million is from revenues generated, but not expended, during prior fiscal years. The Governor recommends allocating estimated lottery revenues as follows:

<u>ELEMENTARY AND SECONDARY EDUCATION</u>	
• Character Education	\$ 250,000
• A+ Schools	8,696,486
• Safe Schools/Alternative Schools	1,822,368
• Advanced Placement/Dual Credit	711,786
• Information Technology Grants	7,000,000
• Transportation	78,371,749
• Early Childhood Special Education	6,460,897
• Special Education	3,762,000
• Gifted	198,351
• DSS/DMH Public Placements	2,083,935
• Research Contract	110,880
• Early Grade Literacy	145,000
• State Schools Operating Maintenance and Repair	342,754
• Vocational Rehabilitation	1,400,000
• Minority Scholarships	200,000
• Scholars Academy	158,156
• Missouri Assessment Program	874,321
• Missouri Assessment Program Expansion*	<u>4,200,455</u>
SUBTOTAL	\$ 116,789,138
<u>HIGHER EDUCATION</u>	
• Four-Year Institutions Operations	\$ 46,969,759
• Four-Year Institutions Operating Maintenance and Repair	18,893,066
• Community Colleges Operations	3,633,814
• Community Colleges Operating Maintenance and Repair	2,062,778
• Missouri College Guarantee Program	<u>2,750,000</u>
SUBTOTAL	\$ 74,309,417
TOTAL	<u>\$ 191,098,555</u>
*Increased funding	

INCREASING ACCOUNTABILITY AND IMPROVING STUDENT PERFORMANCE

Governor Holden believes every child is entitled to a quality education. The Governor has made it a priority to increase the accountability of Missouri schools. In 2001, the Governor proposed, and the General Assembly enacted, legislation to provide report cards for each school to parents, school patrons, taxpayers, and their communities. In 2002, the Governor signed into law House Bill 1711 that created an accountability system that rewards high-performing schools and places certain requirements on schools not meeting academic standards. The Governor continues to promote the need for improvement in accountability and student performance.

Quality Teachers

National studies show that turnover in the teaching profession is higher than most other professions. Most of the turnover occurs with new teachers; in Missouri, 36 percent leave the profession within five years. In addition, research has indicated that financial incentives are necessary to attract high quality teachers to low-performing schools because they continue

to be the most difficult to staff. The demands of these jobs are rarely reflected in the salaries offered to teachers who fill them.

Teaching is one of the few professions where there is no salary differential for the top recruits. Most teacher salaries are determined by a single, district-wide schedule; salary increases are not tied to job performance. In 2002, Missouri's K-16 Coalition recommended a financial incentive program to help attract highly qualified teachers to work in Priority (low-performing) Schools in Missouri. This recommendation is based on research showing that Priority Schools tend to have the largest proportion of inexperienced and poorly qualified teachers.

With enactment of Governor Holden's 2002 initiative to reward high-performing schools and focus resources on schools that are not meeting academic standards, Missouri is now focusing on Priority Schools. It has been shown that achievement test scores are tied to teacher quality. Typically, such schools have the most difficulty recruiting the top teachers. If these schools are going to make meaningful and sustained progress in raising student academic performance, they must have

2003 Legislative Initiative Incentives to Retain Quality Teachers

Priority Schools have a much harder time attracting and retaining high quality teachers. To address this growing problem across the state, Governor Holden recommends applying an existing scholarship program toward an incentive program to retain high quality teachers. The Governor proposes:

- Eliminating the existing Missouri Teacher Education Scholarship.
- Establishing, in its place, a new program, Retaining Quality Teachers. The program will provide incentive payments for highly qualified teachers. Payments of \$3,000 will be paid annually to eligible teachers for up to four years.
- Providing incentive payments to 500 new teachers each year. Incentives will be targeted to teachers who serve in Priority Schools.
- Teachers must be Missouri residents and meet stringent academic requirements in terms of college grade point average, other grades, and classroom performance evaluations.

additional means to attract and retain the best teachers.

The Missouri Teacher Education Scholarship Program was established in 1985 to provide a one-year benefit to students majoring in education. Missouri's problem is no longer getting college students to major in education, but to get them to actually teach once they graduate. The current program benefits a relatively small number of applicants each year and is very difficult to administer, requiring students to be tracked for six to ten years after admission. About 40 percent of those who receive the scholarship do not complete the required five years of teaching service in the public schools. Eliminating the current program and refocusing program funding will provide a more effective and efficient way to recruit and retain highly qualified teachers. The Governor proposes replacing the existing Missouri Teacher Education Scholarship with a program that will provide incentive payments to high-performing teachers willing to work in Priority Schools.

Accountability Report Cards

For the first time in Missouri history, report cards for every school in the state are available to the public. The new School Accountability Report Cards provide building-by-building information of accountability measures, including test scores, teacher experience levels, student-teacher ratios, dropout rates, and average spending per student. The information is available on-line at the state Department of Elementary and Secondary Education's website – www.dese.state.mo.us/schooldata.

MAP - The Missouri Assessment Program

Since 1995, the Missouri Assessment Program (MAP) has been the cornerstone for measuring educational accountability. It has provided the means for schools to review their curriculum, enhance instruction to include higher order thinking skills, and provide a more focused consistency in curriculum across grade levels. In Fiscal Year 2003, the General Assembly reduced funding for MAP to reimburse school districts for assessments in

communications and mathematics only. To continue his commitment to accountability, the Governor recommends \$4.4 million to reinstate assessments in the areas of science, social studies, and health education.

Schools of Distinction

In December 2002, Governor Holden announced 157 school districts to be recognized for Distinction in Performance. These schools were evaluated based on MAP test scores, ACT test scores, attendance and dropout rates, and other academic performance measures. To qualify, K-12 districts had to meet 11 out of 12 possible performance indicators. K-8 districts had to meet 5 out of 6 indicators. The criteria are more stringent than in previous years. The state's recognition confirms that school districts are making steady gains in all areas of academic performance.

Governor's Youth Cabinet

With reduced financial resources, Missouri will depend more and more on volunteers to help achieve our most important goals. For young people in particular, research has shown the value of their attachment to school and community in enhancing academic success while avoiding negative peer pressure. Governor Holden has worked with groups across Missouri, such as the Community Services Commission chaired by Lt. Governor Joe Maxwell, to lead an effort to energize the community spirit of Missouri, and young people in particular, to help achieve Missouri's highest goals. In October 2002, Governor Holden appointed a Youth Cabinet, comprised of 45 Missouri youth, to increase involvement in state and local issues. The Youth Cabinet represents the highest level youth advisory council formed by any state. Over the next year, the members will work directly with state cabinet directors to open a dialogue between the young people and decision-makers of the state. Due to the high level of interest, the Governor will continue to explore other means to engage interested young people throughout the state.

SUPPORTING HIGHER EDUCATION

In the new economy, the quality of a state's workforce has become an important element in economic development. Despite the current budget problems, Governor Holden remains committed to higher education. Even in the face of significant revenue shortfalls, no funding reductions have been made to the higher education institutions in the Fiscal Year 2004 budget.

Commission on the Future of Higher Education

The Governor has called for the establishment of the Missouri Commission on the Future of Higher Education, a statewide advisory commission that will address the challenges facing higher education and work to strengthen the link between higher education and economic growth in Missouri. The Governor understands that economic growth in the 21st Century is based on knowledge, innovation, and the use of technology. Missouri's higher education system plays a critical role in ensuring Missouri stays at the forefront of these technological advances and in supplying skilled workers that are necessary to stimulate continued economic growth in the state.

The Missouri Commission on the Future of Higher Education, first announced in December of 2002, will include business and civic leaders, representatives of two- and four-year higher education institutions, non-profit and other community groups, and elected officials. The commission, utilizing input from Missouri citizens and national experts, will:

- Develop higher education strategies to promote economic growth, educational opportunity, and a better quality of life.
- Recommend specific ways Missouri's higher education system can most effectively stimulate economic growth.
- Analyze how Missouri can best invest its current higher education resources.

- Establish new higher education funding strategies, including securing private investments and additional federal government resources.
- Work with the education community to ensure there is cooperation and collaboration within and across educational levels and sectors, rather than competition.

With the assistance of the Missouri Commission on the Future of Higher Education, Governor Holden will work to ensure that Missouri has a flourishing system of higher education that effectively promotes economic growth, operates in the most efficient manner possible, and responds to the diverse needs of its customers. The Commission will produce a report of their recommendations by December 31, 2003.

Needs-Based Assistance for College Students

The Missouri College Guarantee Program provides scholarships based on financial need to Missouri students who meet specified academic standards. The program is designed to serve Missouri's neediest students regardless of institutional choice. Governor Holden recommends \$500,000 of additional ongoing funding for the program to ensure that the number and amount of Missouri College Guarantee scholarships awarded are maintained at current levels. The increased funding is necessary because one-time fund balances, which have been used in previous years to fund scholarships, have been exhausted.

